

Message Text

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PAGE 01 JAKART 06795 240924Z
ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 CEA-01 STR-07 /101 W
-----097887 241804Z /45

R 240815Z MAY 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8965
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY PORT MORESBY
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON
AMCONSUL HONG KONG
USLO PEKING

C O N F I D E N T I A L JAKARTA 6795

E.O. 11652: GDS
TAGS: PDIP, PEPR, ID, CH
SUBJECT: NO DIRECT TRADE WITH THE PRC

REF: JAKARTA 6628

1. THE MINISTER OF TRADE AND COOPERATIVES, RADIUS PRAWIRO, ANNOUNCED ON MAY 23, AFTER CONFERRING WITH PRESIDENT SUHARTO, THT THE GOI HAD DECIDED NOT TO ESTABLISH DIRECT TRADE WITH THE PRC, HE SAID, INDONESIA WILL CONTINUE TRADING THROUGH A "THIRD COUNTRY". RADIUS SAID THAT THE GOI CAME TO THIS DECISION AFTER CONSIDERING THE "POLITICAL, SECURITY, ECONOMIC AND SOCIAL POINTS OF
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VIEW," AND HAS ACCORDINGLY ADVISED THE INDONESIAN CHAMBER OF COMMERCE (KADIN) TO DISCONTINUE ITS EFFORTS TO ESTABLISH DIRECT TRADE LINKS WITH THE PRC.

2. THERE HAVE THUS FAR BEEN FEW DISSENTING VOICES TO THE GOI'S STATED POSITION, ONE NOTABLE EXCEPTION BEING A MEMBER OF PARLIAMENT AND HEAD OF THE GOLKAR FACTION,

SUGIHARTO, WHO HAS GONE ON PUBLIC RECORD TWICE IN THE LAST FEW DAYS URGING THE GOI TO MOVE MORE QUICKLY TOWARDS NORMALIZING DIPLOMATIC RELATIONS WITH THE PRC.

3. THE PRIVATE BUSINESS COMMUNITY, WHICH CURRENTLY HANDLES THE INDIRECT TRADE WITH CHINA (ALMOST ENTIRELY ETHNIC CHINESE) THROUGH HONG KONG AND SINGAPORE. IT HAD BEEN HINTED THAT IF DIRECT TRADE LINKS HAD BEEN ESTABLISHED IT WOULD HAVE BEEN HANDLED BY STATE-OWNED TRADING COMPANIES. THE STATUS QUO, OF COURSE, LEAVES THE TRADING IN HANDS OF THE CHINESE BUSINESSMEN WITH THEIR INTRICATE WEB OF RELATIONSHIPS WITH HONG KONG AND SINGAPORE.

4. FOREIGN DEPARTMENT DIRECTOR OF NORTH ASIAN AFFAIRS, DARWOTO, SPEAKING WITH EMBOFFS MAY 24, CONFESSED "SURPRISE" WITH THE GOI'S DECISION AND SPECULATED THAT THE PACE TOWARD NORMALIZING RELATIONS WITH THE PRC, OF WHICH DIRECT TRADE WOULD BE A PART, WAS PERHAPS TOO SWIFT. DARWOTO ALSO NOTED THAT THE PRC APPEARED TOO WARM AND EAGER DURING KADIN'S RECENT VISIT TO PEKING AND THIS IS SUSPECT IN THE EYES OF SOME GOI OFFICIALS, ESPECIALLY THOSE CONCERNED WITH INTERNAL SECURITY. HE DID NOT WISH TO SPECULATE ON WHETHER THE PRC BADMINTON TEAM WOULD STILL BE COMING TO INDONESIA SOMETIME IN SEPTEMBER 1978, BUT SAID THAT IF A NEGATIVE
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DECISION IS MADE, IT WOULD BE DONE BY THE GOI, NOT THE PRC.

5. COMMENT: CHAIRMAN OF KADIN SUKENDAR'S EFFUSIVE REPORTS OF THE RECEPTION HE RECEIVED IN PEKING SEEM TO HAVE BACKFIRED. THE GOI'S ANNOUNCEMENT, WHILE NOT SURPRISING IN CONTENT, WAS ABRUPT AND ALMOST CERTAINLY THE RESULT OF A PERSONAL DECISION BY PRESIDENT SUHARTO HIMSELF. IT REMAINS TO BE SEEN WHAT KIND OF IMPACT THE DECISION WILL HAVE ON JAKARTA'S ZIGZAG COURSE TOWARDS NORMALIZATION OF RELATIONS WITH PEKING.
MASTERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JAKART06795
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780219-0532
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780525/aaaaausq.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a066c397-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 JAKARTA 6628
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2591553
Secure: OPEN
Status: NATIVE
Subject: NO DIRECT TRADE WITH THE PRC
TAGS: PDIP, PEPR, ID, CH
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a066c397-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014